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How One S&L Lost Value Under the RTC

By TERESA CARSON

LOS ANGELES — Small groups of bidders are now huddling over the books at Gibraltar Savings' Simi Valley, Calif., headquarters trying to determine how much the failed thrift is worth to them.

Value is in the eye of the bidder. But one thing is certain: Gibraltar is worth a lot less than it was when the government seized it 14 months ago.

"The franchise has deteriorated; they have lost a lot of core deposits," said one banker who has looked at the books. Added another: "Seized thrifts are like fresh fruit. They rot very quickly the longer they sit on the shelf."

ANALYSIS: *Follow-up on the news*

Top regulators acknowledge that the value of thrifts continues to fall the longer they are run by the government. L. William Seidman, who runs the agency that oversees seized thrifts, wants to see more sold before they are seized, to avoid the automatic discount imposed by the marketplace. "We know that putting institutions under [government] conservatorship lowers their franchise value."

Gibraltar is an extreme example of how that can happen, because it has been under the government's care for more than a year.

Estimated Cost to Taxpayers

It is impossible to calculate exactly how much less Gibraltar is worth today than when it was seized. But some bidders that looked at the books last year when it was put into conservatorship say they are no longer interested. And the runoff of core deposits will cost taxpayers at least $10 million, according to conservative estimates.

The same thing is happening at other seized institutions. Richard K. Kneipper, head of Jones, Day, Reavis & Pogue's financial institutions practice, said one of his clients became frustrated after examining the books of a number of thrifts. "He is not going to bid anymore, the dissipation of value is so pervasive," Mr. Kneipper said.

Agency Is Hamstrung

"Most of the value is based on customer relationships," said Joseph A. Jolson, an analyst at Montgomery Securities Inc. "You have a custodian managing this in a competitive environment. It just doesn't work very well."

To be sure, all of the blame does not fall on Mr. Seidman's

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INSIDE NEWS

CONSUMER

INSURERS' PROFITS may eventually suffer as big banks enter the business following Delaware's decision to give the green light. *Page 6*

WASHINGTON

AUCTIONEER JIM GALL feels the eyes of the world on him as he prepares to run the Resolution Trust Corp.'s end-of-summer sale. *Page 8*

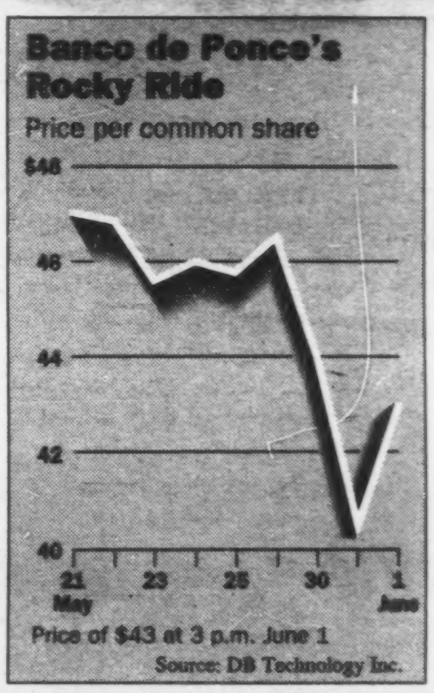
TECHNOLOGY

BANK OF AMERICA, the largest check processor in the nation, is apparently delaying a shift to image technology in an effort to hold down expenses. *Page 3*

INTERNATIONAL

ARGENTINE OFFICIALS are scheduled to meet with senior bankers in New York on Thursday to discuss the repayment of about $6 billion in interest arrears owed to banks. *Page 10*

FINANCE



RESTRICTIONS PLACED on their merger have unsettled the market for the shares of Banco Popular de Puerto Rico and Banco de Ponce. *Page 24*

PEOPLE

PETER H. MONROE, soon to be president of the Resolution Trust Corp.'s Oversight Board, knows how the game is played in Washington. *Page 2*

COMMENT

SMART MANAGERS take the opportunity to show their appreciation when they give employees a raise. *Page 4*

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Pound for Pound, the Market's Strongest Banks

The banking companies with the highest market values relative to asset size

	Market value ($ in millions)	Assets ($ in billions)	Market value as % of assets
Synovus Financial Corp., Columbus, Ga.	$632	$2.6	24.3%
Wilmington Trust Co., Del.	680	3.6	19.1
Fifth Third Bancorp., Cincinnati	1,332	7.0	18.9
Valley National Bancorp, Clifton, N.J.	311	1.8	17.1
City National Corp., Beverly Hills, Calif.	723	4.6	15.8
Mercantile Bankshares Corp., Baltimore	628	4.2	15.1
BancOne Corp., Columbus, Ohio	4,105	27.2	15.1
Fourth Financial Corp., Wichita, Kan.	485	3.3	14.5
State Street Boston Corp.	1,359	10.4	13.1
Citizens Bancorp, Laurel, Md.	312	2.4	13.0

Based on March 31 data. Source: SNL Securities

Whose Assets Do Investors Value Most Highly? Synovus Financial

By KELLEY HOLLAND

NEW YORK — There are bigger banks. And there are banks with larger market capitalizations. But in the eyes of investors, Synovus Financial Corp. is, pound for pound, the most valuable banking company in the nation.

When market value – a source of bragging rights among bankers – is compared with asset size, Synovus, which has just $2.6 billion in assets, was far and away the nation's leader at the end of the first quarter.

Eye-Catching Numbers

Shares of the Columbus, Ga., banking company were worth $632 million on March 31, according to data supplied by SNL Securities. That was good enough for 59th place among the 100 banks with the largest market capitalization.

But Synovus' market value was equal to a whopping 24.3% of its assets. In effect, investors were valuing each dollar of the bank's assets at about 24 cents.

By contrast, Citicorp, tops overall with a market value of $7.5 billion, had a market-value-to-assets ratio of 3.2%. J.P. Morgan, in second place with a market value of $6.7 billion, had a ratio of 7.4%.

Among institutions with more than $10 billion in assets, Banc One Corp., Columbus, Ohio,

See **SYNOVUS** *page* **22**

Fed Moves To Adopt Uniform Code For Payments

By JEANNE IIDA

NEW YORK — The Federal Reserve Board plans to bring the rules governing liability for Fed Wire transactions in line with measures being adopted at the state level.

If, as expected, both the Fed and the State of New York approve such measures, the majority of wholesale wire transfers could fall within a uniform body of law by the first of the year. The measures, designed to resolve disputes over electronic payments, would govern about $1.5 trillion of transfers each day.

Comments Solicited

The Fed's proposal, to incorporate Article 4A of the Uniform Commercial Code, will go out for public comment this month. The measure is expected to take effect Jan. 1.

Article 4A, which outlines rights and responsibilities of banks and their customers in electronic payments, has been adopted by a handful of states. But adoption by all 50 states is expected to take several years.

In New York, the measure is on the governor's desk and is ex-

See **FED** *page* **3**

NCNB Bid Seen As Winner for 9 Texas Banks

By STEVE KLINKERMAN

NCNB Texas National Bank won the bidding for the nine failing banks owned by National Bancshares Corp. of Texas, sources said Friday.

The nine South Texas banks together hold about $1.5 billion of assets, most of which are concentrated in San Antonio.

The acquisition will give NCNB Texas a dominant position in that market and further bolster its position as the biggest bank in Texas, with more than $35 billion in assets.

"They are a little bigger, a little stronger, and a little more dominant," said Frank Anderson, an analyst with Stephens Inc., a Little Rock brokerage.

The Federal Deposit Insurance Corp. put National Bancshares on the block after Pittsburgh-based Equimark Corp. failed to raise financing to acquire the failed institutions.

NCNB shares rose $1.125 Friday, to $39.875. NCNB and FDIC officials were unavailable.

SILENCE: Great American Bank cut funding to symphony.

Cash-Strapped Donors Turn Off Spigot of Charity Contributions

By TERESA CARSON

LOS ANGELES — Wesley Brustad did not need a phone call to tell him the money would not be coming this year.

The executive director of the San Diego Symphony Orchestra Association had read in the papers about the increasingly dire financial condition of Great American Bank, San Diego. He anticipated that the thrift's budget slashing would include its symphony contribution, which totaled $120,000 last year through a matching program.

The San Diego orchestra is one of hundreds of arts and service organizations feeling the pinch as financial institutions across the country cut their budgets. With loan losses mounting, some institutions find they can

See **COMMUNITY** *page* **6**

COMMENT / *By Paul Nadler*

Smart Managers Add Value To Act of Giving Raises

When a bank gives an employee a raise, it has an opportunity to earn goodwill and enhanced loyalty, but the opportunity is sometimes thrown away. In fact, some banks have even made advancement in pay and title an occasion that hurts morale rather than boosting it.

Most studies show that workers want recognition as much as or more than they want the money. They want to feel that the boss knows that they have been doing a good job and wishes to reward them for it.

This helps explain why, when a bank fires people, often the morale of the rest goes up rather than down. After all, if the bank has fired the right people – the incompetents and the slackers – the rest can say, "I made the cut. They know I am doing a good job."

Missed Opportunity

A raise can give the employee the same message. But some employers blow this opportunity to make the staff feel appreciated by following several poor policies.

The most obvious is merely to have the employee see that his or her paycheck is now higher. Not only does this eliminate the opportunity to let the individual know personally that he or she is appreciated, it sometimes even goes almost unnoticed. With all the withholding nowadays, there is not that much left on the bottom line to take home.

Some companies make the process of getting a raise humiliating. Raises are not given until asked for, and then the employee is made to feel that he is profaning motherhood and apple pie, much less almost bankrupting the company by his request.

Asking for a Raise

When I was economic consultant to a now defunct brokerage firm, I had not had a raise for seven years, and my friends told me that I would only get one if I asked for it. So one day I went into the CEO and said: "Steve, I haven't had a raise in seven years. I think I deserve one."

His response: "Absolutely impossible; we are in financial difficulty now."

I left his office and went about my business only to have him call me back into his office half an hour later.

"How much do you want, Nadler?"

I gave a response of something like 15% increase in my honorarium.

"Absolutely impossible," he said, "far too much." I left his office again.

Half an hour later I hear him call: "Nadler, get in here. You got your raise."

"Most studies show that workers want recognition as much as or more than they want the money."

I was rewarded, but in his effort to show who was the boss, the CEO took most of the joy out of it.

Black-Tie Bonus

Far worse was the policy of the old Hanover Bank, now part of Manufacturers Hanover in New York.

Raises and promotions for officers were only given at a black-tie banquet, once a year. If you didn't get it then, you had to wait an entire year for another chance. Believe me, there was plenty of drinking that night – both by the celebrants and by the disappointed. Those not promoted had the dejection of knowing they had 365 days to wait before another opportunity arose at CEO Bill Grey's annual dinner.

How different was the attitude of the CEO of Old Kent bank when I was their consultant in Michigan for 15 years. I remember coming to Grand Rapids one fall on my semiannual trip and saying to Dick Gillette, the CEO, "Dick, I haven't had a raise in five years, I think it's time."

His answer "No, Paul, it is only four years."

I left feeling great, even though I didn't get the raise. Because he knew how long it had been since I was given a raise, it was obvious that he cared enough to have checked up before I came to town instead of just taking my services for granted. The fact that he cared meant as much to me as the raise, as is the case with so many other people.

We can glean several rules from these experiences:

- When you give a raise, make something of the procedure. Show the workers they are appreciated so you give a morale boost as well as a pay boost.
- Frequent, smaller raises are appreciated more than infrequent larger ones, because there are more opportunities to stroke employees – whether officers or rank and file.
- Some companies when they reward those who have been on staff for several years provide the annual raise in a lump sum. This is usually far more satisfying than to be told you have a $2,000 raise and then just get a dribble more in your check each pay period.
- But most important, make a fuss, make people feel appreciated through this opportunity. Bankers must never forget that their most important resource goes down in the elevator and out the door every night. □

Mr. Nadler is a contributing editor of the *American Banker* and professor of finance at Rutgers University's Graduate School of Management.

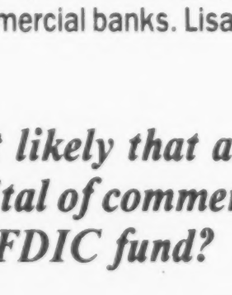
"SOUND OFF"

Banking expert Lowell L. Bryan of McKinsey & Co. caused a stir last month when he told the Senate Banking Committee that a recession would wipe out the capital of 20% of the nation's commercial banks and cause the Federal Deposit Insurance Corp.'s fund to collapse. The fund was at a historically low coverage point of 70 cents per $100 of insured deposits at commercial banks. Lisa A. Hammond of Medill News Service asked:

Q Is it likely that a recession will deplete the capital of commercial banks and annihilate the FDIC fund?

■ Edward E. Furash
President
Furash & Co., Washington

This is probably the most difficult period for the entire financial system that I've seen in my 30 years as a banker and bank consultant. The situation could get worse if there were a recession that caused an increase in loan losses and a decline in interest income.



That's a big if, and a soft landing or a mild turndown can be weathered. What is particularly frightening is the speed with which capital can disappear under the current circumstances, such as problem commercial real estate loans, operating losses, and operating risk problems. This situation requires extraordinary caution and diligence by both bankers and regulators alike.

A loan loss or operating accident has the capacity to wipe out capital instantaneously. The system is fragile indeed.

The insurance fund is at risk in all of this – an insurance fund that is already at one of its lowest historic coverage points.

■ Robert Litan
Senior fellow
Brookings Institution, Washington

I think the real question is what would happen in a small to moderate recession.

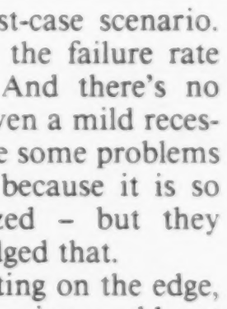
I think a recession such as we saw in '81-'82 has a very low probability. In a recession of that magnitude, Mr. Bryan could very well be right.

Mr. Bryan is describing a very, very worst-case scenario. In a recession, the failure rate would go up. And there's no question that even a mild recession could cause some problems for the FDIC, because it is so thinly capitalized – but they have acknowledged that.

They are skating on the edge, and a mild recession could put them close to the edge or under the water.

■ Kathleen B. Cooper
Executive vice president
Chief economist
Security Pacific Corp.

I think it is much too negative an assessment. He's failing to consider that so many of the chargeoffs of the past four years have been LDC-related, and that's not going to be repeated. Only recently, in the past year, have the chargeoffs been related to commercial real estate.



There are tough predictions out there and banks have already set up sizable reserves. I have a lot of difficulty believing that this assessment would happen in a recession.

■ Paul M. Horvitz
Professor, banking and finance
University of Houston

I don't think that is realistic at all. We've had lots of recessions, historically, and they have not resulted in banks running losses in the aggregate. Also, banks are better positioned as far as loan-loss reserves.

I think that idea is based on possible losses from some of the highly leveraged loan transactions. But, in most of those transactions, banks have a senior position compared with holders of junk bonds. The idea of 20% of the capital being wiped out is just ridiculous. □

■ Allan H. Meltzer
Professor, Carnegie-Mellon University
Shadow Open Market Committee

It would take a heck of a recession [to see that scenario come to pass].

First, I don't think we're facing that type of recession – it isn't likely to be of the magnitude that would cause the type of losses seen in [Lowell Bryan's] remark. Second, the FDIC is in a weaker position than it should be, but it is much stronger than the FSLIC fund was at the emerging stage of the S&L crisis.

The recession would need to be at least as deep as 1981-1982 and perhaps deeper. And I personally am not anticipating one.

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CAPITAL
Synovus Tops Market-Value Ratio

Continued from *page* **1**

had the highest market value as a percentage of assets, 15.1%

Synovus' strength reflects its emphasis on nontraditional lines of business, at a time of pervasive worries about loan quality. The company, a major credit card processor, announced during the first quarter that it would be handling the processing for AT&T's Universal card.

"There are businesses considered by the market to be better than the banking business, and Synovus is in one of them," said John J. Mason of Interstate/Johnson Lane, Atlanta. "The credit card processing business is vastly more attractive to investors than the banking business, no question about it."

A Measure of Strength

A bank's market capitalization is the price of its stock multiplied by the number of shares outstanding.

It represents the market's assessment of the bank's value and its ability to make acquisitions. The greater a bank's market value, the stronger an acquirer it can be and the more easily it can resist unwanted takeovers.

Because of a deep slump eroding share values, the 100 banks with the largest market capitalizations on average lost 9.3% of their value during the quarter, although many have since regained strength in the recent rally.

Total market capitalization of the 100 institutions dropped to $129.2 billion from $142.5 billion at year's end.

The two biggest gains were posted by Society Corp., up 42.8%, and CoreStates Financial Corp., up 26.5%. Both completed major acquisitions during the quarter. Synovus' market value grew 21.2% during the period.

Other Side of Coin

In contrast to those gains were dramatic declines for troubled banks such as Midlantic Corp., whose market capitalization declined by 47.6% from yearend, and Bank of New England, which lost 49.3% of its market capitalization.

Healthier banks also suffered. Citicorp's market value was off 19.7% from yearend 1989, while J.P. Morgan's dropped 17.0%.

Apart from companies closing acquisitions, many of the banks that posted increases in market value during the quarter focus, as Synovus does, on nontraditional lines of business. For example, Wilmington Trust Co., another major credit card processor, grew 4.2%.

How Regions Fared

In regional terms, West Coast banks fared relatively well, with Valley Capital Corp., Las Vegas, showing the biggest decline in market capitalization at 16.6%.

Banks in the Middle Atlantic states generally performed worse than those in other regions, with both Bank of New England and Shawmut National Corp. losing nearly half of their market capitalization.

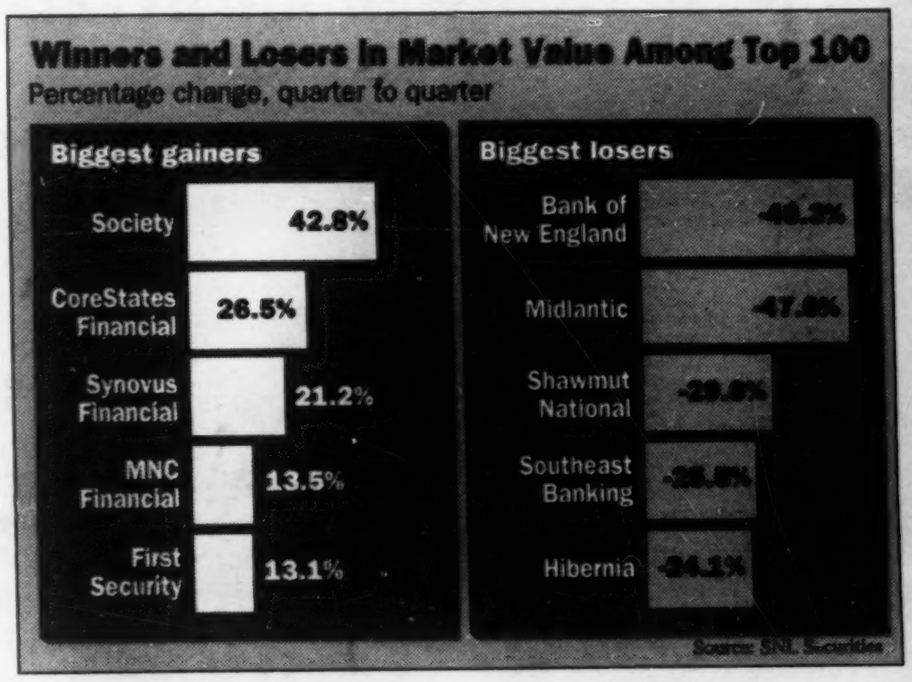
Southwestern banks' performance was close to the average for the top 100, with a 24.1% decline at Hibernia Corp.'s market share offset by a 13.05% gain on the part of First Security Corp.

Industry experts noted that the decline in market capitalization helped to slow the pace of consolidation in the banking industry. During the quarter, as previously reported, just $706 million in merger deals were announced. That annualizes to $2.8 billion for 1990, far below the $10.8 billion of 1989.

"People have in their minds certain [price] targets because of past deals," said John F. Kooken, vice chairman and chief financial officer of Security Pacific Corp.

But any slowdown will be temporary, according to Arthur P. Soter, a managing director at Morgan Stanley.

"Lower market capitalizations can temporarily stall but not permanently delay the industry consolidation," he said. "The superregionals will get antsy for growth and realize that acquisitions are their only avenue."



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Market Monitor

Bankers Trust New York Corp. said on Friday that it will soon issue $250 million in auction-rate preferred stock. The issue, which will count as Tier 2 capital, will be sold in four tranches and the dividend on the shares will be repriced every 49 days in a dutch auction.

A Bankers Trust official said a portion of the issue would not be underwritten but would instead be placed directly with investors. The remainder of the deal will be underwritten and sold by a group led by Shearson Lehman Hutton Inc. He declined to specify what proportion Bankers Trust would place directly. □

MARKET CAP

Top 100 Banking Companies in Market Capitalization

Listed in order of the market value of their common stock on March 31, 1990 (dollar amounts in millions)

Rank 3/90		Mar. Cap. 3/31/90	Assets 3/31/90	Change 1Q90	Ratio Mar. Cap/Assets
1	Citicorp, New York	7,528	233,100	-19.72	3.2
2	J.P. Morgan & Co. Inc., New York	6,711	90,771	-16.99	7.4
3	BankAmerica Corp., San Francisco	5,951	101,067	5.78	5.9
4	Security Pacific Corp., Los Angeles	4,483	86,453	-4.71	5.2
5	Banc One Corp., Columbus, Ohio	4,105	27,245	-3.16	15.1
6	NCNB Corp., Charlotte, N.C.	3,934	63,683	-15.97	6.2
7	PNC Financial Corp., Pittsburgh	3,753	46,619	-3.82	8.1
8	Wells Fargo & Co., San Francisco	3,549	50,170	-6.27	7.1
9	Chase Manhattan Corp., New York	3,479	106,517	-11.16	3.3
10	Bankers Trust New York Corp.	3,039	59,267	-9.62	5.1
11	First Wachovia Corp., Winston-Salem, N.C.	2,754	23,862	-2.92	11.5
12	SunTrust Banks Inc., Atlanta	2,697	30,914	-7.91	8.7
13	Fleet/Norstar Financial Group Inc., Providence, R.I.	2,387	36,524	-16.10	6.5
14	Bank of New York Co. Inc.	2,333	47,847	-14.63	4.9
15	Manufacturers Hanover Corp., New York	2,289	59,713	-1.18	3.8
16	NBD Bancorp Inc., Detroit	2,233	25,733	-3.05	8.7
17	CoreStates Financial Corp., Philadelphia	2,126	22,239	26.47	9.6
18	Sovran Financial Corp., Norfolk, Va.	2,091	25,371	-8.01	8.2
19	National City Corp., Cleveland	2,088	22,857	-11.98	9.1
20	Chemical Banking Corp., New York	2,048	74,150	-16.11	2.8
21	First Interstate Bancorp, Los Angeles	2,039	57,419	-0.20	3.6
22	First Chicago Corp.	1,984	49,992	-18.15	4.0
23	First Union Corp., Charlotte, N.C.	1,916	39,084	-13.33	4.9
24	Barnett Banks Inc., Jacksonville, Fla.	1,879	29,321	-17.58	6.4
25	Norwest Corp., Minneapolis	1,859	24,681	-11.65	7.5
26	Citizens and Southern Corp., Atlanta	1,639	24,117	-10.39	6.8
27	MNC Financial Inc., Baltimore	1,569	25,412	13.46	6.2
28	Republic New York Corp.	1,401	26,161	-9.78	5.4
29	U.S. Bancorp, Portland, Ore.	1,376	17,225	-11.28	8.0
30	State Street Boston Corp.	1,359	10,376	-3.92	13.1
31	Fifth Third Bancorp, Cincinnati	1,332	7,036	-8.01	18.9
32	First Fidelity Bancorp., Newark, N.J.	1,197	30,212	-12.02	4.0
33	Mellon Bank Corp., Pittsburgh	1,131	30,765	8.29	3.7
34	Boatmen's Bancshares Inc., St. Louis	1,066	14,864	-3.87	7.2
35	Northern Trust Corp., Chicago	1,066	11,853	-0.61	9.0
36	Society Corp., Cleveland	1,059	15,445	42.75	6.9
37	Bank of Boston Corp.	1,044	37,267	-22.87	2.8
38	Shawmut National Corp., Hartford, Conn.	1,043	24,904	-29.57	4.2
39	KeyCorp, Albany, N.Y.	1,014	15,454	-8.08	6.6
40	Huntington Bancshares Inc., Columbus, Ohio	915	11,592	-10.68	7.9
41	First Bank System Inc., Minneapolis	851	20,249	-19.17	4.2
42	Crestar Financial Corp., Richmond	838	11,419	-5.92	7.3
43	Continental Bank Corp., Chicago	827	29,026	-16.29	2.8
44	First of America Bank Corp., Kalamazoo, Mich.	777	12,657	-6.91	6.1
45	Comerica Inc., Detroit	771	11,961	-2.88	6.4
46	Union Bank, Los Angeles	770	16,107	4.24	4.8
47	Manufacturers National Corp., Detroit	733	10,562	-6.90	6.9
48	Bancorp Hawaii Inc., Honolulu	728	8,572	-10.66	8.5
49	City National Corp., Beverly Hills	723	4,583	-1.90	15.8
50	Marshall & Ilsley Corp., Milwaukee	723	7,021	-1.44	10.3
51	UJB Financial Corp., Princeton, N.J.	720	12,087	-13.48	6.0
52	Dominion Bankshares Corp., Roanoke	718	10,170	0.10	7.1
53	Ameritrust Corp., Cleveland	710	10,772	-23.99	6.6
54	Meridian Bancorp Inc., Reading, Pa.	682	11,638	-12.14	5.9
55	Old Kent Financial Corp., Grand Rapids	681	8,034	-3.97	8.5
56	Wilmington Trust Co., Del.	680	3,562	4.19	19.1
57	Firstar Corp., Milwaukee	665	8,386	-8.32	7.9
58	Signet Banking Corp., Richmond	660	12,268	-23.00	5.4
59	Synovus Financial Corp., Columbus, Ga.	632	2,601	21.17	24.3
60	Midlantic Corp., Edison, N.J.	629	23,700	-47.62	2.7
61	Mercantile Bankshares Corp., Baltimore	628	4,159	-3.39	15.1
62	First City Bancorp. of Texas, Houston	623	13,656	-6.96	4.6
63	Integra Financial Corp., Pittsburgh	609	6,941	-1.93	8.8
64	First Hawaiian Inc., Honolulu	599	5,384	-11.88	11.1
65	First Virginia Banks Inc., Falls Church	589	5,107	-6.64	11.5
66	Michigan National Corp., Farmington Hills	577	11,551	-22.73	5.0
67	Star Banc Corp., Cincinnati	553	5,954	-13.05	9.3
68	Southtrust Corp., Birmingham, Ala.	543	7,871	-11.97	6.9
69	AmSouth BanCorp., Birmingham, Ala.	533	8,540	-7.03	6.2
70	First Alabama Bancshares Inc., Montgomery	513	5,310	-10.61	9.7
71	Fourth Financial Corp., Wichita, Kan.	485	3,335	9.09	14.5
72	INB Financial Corp., Indianapolis	482	5,939	-5.20	8.1
73	Southeast Banking Corp., Miami	479	17,111	-25.45	2.8
74	Commerce Bancshares Inc., Kansas City, Mo.	463	5,765	-4.28	8.0
75	Hibernia Corp., New Orleans, La.	454	7,211	-24.10	6.3
76	South Carolina National Corp., Columbia	450	6,297	-5.47	7.1
77	First Security Corp., Salt Lake City	445	6,250	13.05	7.1
78	Central Fidelity Banks Inc., Richmond	435	5,273	-8.41	8.2
79	First Empire State Corp., Buffalo, N.Y.	433	6,526	-3.67	6.6
80	Mercantile Bancorp. Inc., St. Louis	433	6,862	2.97	6.3
81	First American Corp., Nashville, Tenn.	408	7,210	-14.95	5.7
82	Dauphin Deposit Corp., Harrisburg, Pa.	406	3,322	-0.79	12.2
83	Banco Popular de Puerto Rico, San Juan	396	5,823	-8.04	6.8
84	BB&T Financial Corp., Wilson, N.C.	393	4,709	1.25	8.3
85	First Tennessee National Corp., Memphis	383	6,581	-3.48	5.8
86	First Florida Banks Inc., Tampa	379	5,559	-16.34	6.8
87	United Missouri Bancshares Inc., Kansas City	376	3,762	-0.83	10.0
88	Bank South Corp., Atlanta	376	5,371	-7.26	7.0
89	Puget Sound Bancorp, Tacoma, Wash.	347	4,333	-10.23	8.0
90	Merchants National Corp., Indianapolis	338	5,527	-20.00	6.1
91	Bank of New England Corp., Boston	330	24,899	-49.30	1.3
92	Summit Bancorp., Summit, N.J.	327	3,799	-2.93	8.6
93	U.S. Trust Corp., New York	326	2,532	-6.52	12.9
94	First Bancorp. of Ohio, Akron	320	3,282	-10.17	9.8
95	Citizens Bancorp, Laurel, Md.	312	2,396	1.78	13.0
96	Valley National Bancorp, Clifton, N.J.	311	1,818	-0.94	17.1
97	Liberty National Bancorp Inc., Louisville, Ky.	306	3,468	0.58	8.8
98	United Banks of Colorado Inc., Denver	300	5,878	-1.87	5.1
99	Valley Capital Corp., Las Vegas	299	3,034	-16.63	9.8
100	Key Centurion Bancshares Inc., Charleston, West Va.	296	2,348	5.49	12.6

Data source: **SNL Securities,** Charlottesville, Va. **Description of the table:** A listing of 100 banking companies with the largest market capitalization. **Mar. Cap.** is market capitalization. It is computed by multiplying the number of common shares outstanding at the bank on March 30, 1990 by the closing market price of the bank's stock on March 30, the last trading day of the quarter. **Assets:** the total assets of the banking company on March 31, 1990. **Change 1Q90:** Percentage change in market capitalization from yearend 1989 to March 31, 1990. **Ratio Mar. Cap/Assets:** is market capitalization on March 31 expressed as a perectage of total assets on March 31.

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OTS Swamps RTC Plan for Coordination

By STEVE KLINKERMAN

DALLAS — Discord between the Office of Thrift Supervision and the Resolution Trust Corp. threatens to derail a plan proposed in March to streamline the rescues of perhaps hundreds of ailing thrifts.

Under the so-called accelerated-resolution program, the OTS would refrain from turning over a failing thrift to the RTC until that agency had found a buyer for the institution. RTC officials aim to install the program by June 30.

Troubled thrifts would fetch higher prices under this coordinated approach, the RTC said, because the institutions would retain many depositors, borrowers, and managers who otherwise might leave during a prolonged RTC conservatorship.

ANALYSIS: *Follow-up on the news*

Analysts and observers of the thrift bailout have said the OTS is going overboard in placing thrifts under RTC control, acting regardless of whether buyers have been found or even sought. A former OTS official said the agency is shoving thrifts into RTC conservatorship quickly so it can cut staff, distance itself from controversy, and give greater attention to healthy thrifts.

OTS Seen as Creating Chaos

In the process, the trigger-happy OTS is creating chaos for the RTC, the experts said.

The RTC, set up by the the Financial Institutions Reform, Recovery, and Enforcement Act of 1989, must arrange rescues for the more than 300 thrifts already under its control while launching an advance sales program for hundreds of additional thrifts qualifying for accelerated resolution.

Unless the OTS moves at a more deliberate pace, critics said, dozens upon dozens of troubled thrifts are headed for decay under needlessly prolonged RTC conservatorships. To the extent the units lose value, the government's rescue costs will rise.

'Out of Control'

"The process is out of control, and no one seems to be interested in what it is costing," said Jonathan Lindley, managing director in the Washington office of Ferguson & Co.

L. William Seidman, chairman of the RTC, began putting brakes on the runaway train in March. Mr. Seidman, who also is chairman of the Federal De-

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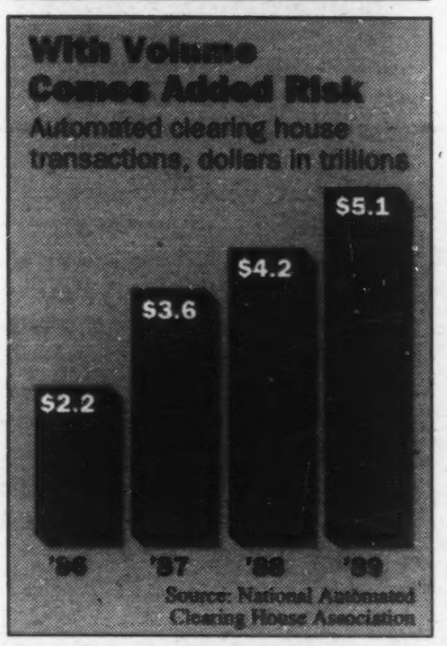
INSIDE NEWS

TECHNOLOGY



BANKS MAY DROP OUT of providing automated clearing house services unless many change their approach to risk on the ACH system. *Page 3*

REAL ESTATE

TEXAS WAS HOME to four of the five banks with the worst ratios of bad loans to equity at the end of last year. But the fifth was in New England, as were the rest of the top 10. *Page 9*

INTERNATIONAL

THE COLLAPSE of British & Commonwealth Holdings could spark a major fire sale of the conglomerate's financial-services assets, analysts said Monday. *Page 10*

CONSUMERS

YOUNG ADULTS are an untapped market for most financial institutions, which focus on the older and richer. But now some institutions are thinking young. *Page 6*

OTHER NEWS

OVERPRICED, NEEDLESS credit life insurance is being sold to unsuspecting customers, two consumer organizations charge. *Page 21*

PEOPLE

SWISS BANK CORP.'s Flavian Zeugin says extensive changes in U.S. law would be needed for the nation's banks to become competitive internationally. *Page 2*

CHASE MANHATTAN's Joel H. Glasky aims to boost its somewhat sluggish efforts in private placements. *Page 2*

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1st Interstate Rumors Push Stock Higher

By FRED VOGELSTEIN

NEW YORK — Shares of First Interstate Bancorp soared Monday on takeover talk, leading a broad rise that propelled several bank stocks to their highest levels this year.

By late afternoon, the stock of the Los Angeles-based banking company was up $4.875, or 12%, to $44.875 on a second straight day of heavy volume.

First Interstate, which traded as high as $70 a year ago before stumbling on problem loans in its Texas and Arizona subsidiaries, is considered by many analysts as the most likely takeover target among major banks.

Rumors Discounted

"We hear rumors that Wells Fargo is about to launch a bid for First Interstate," said Raphael Soifer, an analyst at Brown Brothers Harriman. But having talked to both banks, he said, "I do not believe any of the rumors."

Officials at both Wells Fargo & Co and Security Pacific Corp. have expressed interest in ac-

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Single-Borrower Limit To Be Relaxed by OTS

By DEBRA COPE

WASHINGTON — In a bid to quell political pressure and complaints from home builders and lenders, the Office of Thrift Supervision is temporarily boosting one-borrower lending limits for the best-capitalized thrifts.

The residential construction market is being hurt by a provision of last year's S&L rescue bill that slashed thrift lending limits per borrower to 15% of unimpaired capital from 100%, bringing S&Ls in line with the standard for national banks. As a result, some builders have been unable to take further draws on lines of credit obtained before enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. Others are having trouble rolling over loans.

To provide some immediate relief, the OTS submitted an interim final rule to the Treasury Department and the Office of Management and Budget. The new rule permits thrifts that already meet 1995 capital requirements to lend the equivalent of 60% of unimpaired capital to a single borrower for domestic

T. Timothy Ryan Jr. AP/Wide World
Office of Thrift Supervision

residential construction, according to a senior OTS official.

An OTS spokesman said 1,185 thrifts with $214.8 billion in assets currently meet the test. But thrift industry sources say they would like the OTS rule to allow any well-run, profitable thrift to take advantage of the exemption – even if its capital does meet not current standards.

Safety-and-Soundness Concerns

The relief measure is the first rulemaking attempt by the new director of the OTS, T. Timothy

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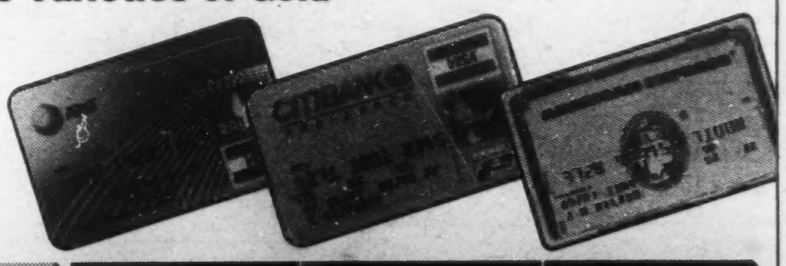
Three Varieties of Gold



Annual fee	Free, if used once each year	$50	$75
Minimum annual income required	$30,000	$35,000	$20,000
Credit limit	$10,000	$5,000-$50,000 depending on income	No preset spending limit
Travel accident insurance	$250,000	$350,000	$100,000

AT&T Sending Some Applicants Gold Cards They Didn't Request

By YVETTE D. KANTROW

NEW YORK – Some consumers applying for AT&T's Universal card are getting a surprise in the mail.

In an unusual marketing gambit, American Telephone & Telegraph Corp. is sending a gold version of its combination credit and telephone card to select applicants – even if they did not request it.

To qualify for the gold Visa card, consumers must make more than $30,000 a year and have what the company deems an "impeccable" credit record.

Tight Targeting

The gold card program is yet another example of how the telecommunications giant is using its consumer marketing smarts

See **AT&T** *page* **17**

A Market In Bad Loans Takes Shape

By STEVEN LIPIN

Looking for a silver lining in the mounting number of big corporate bankruptcies, commercial banks are gearing up to trade nonperforming corporate loans in a fledgling market now dominated by Wall Street.

The trading activity, participants said, would be patterned after the growing market for lesser-developed-country loans. Last year, $60 billion in LDC loans changed hands, according to estimates by Shearson Lehman Hutton Inc. Some observers say the market in distressed corporate loans could eventually approach that magnitude.

Significant Profits Expected

"We believe the market is evolving and will approach the LDC debt market," said Jo Ousterhout, senior director and head of secondary loan trading at Continental Bank.

"We do see significant profit potential. But it will be a little while before the trading market gets going."

Continental Bank Corp. and

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NOTE

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